

FISCAL NOTE

Bill #: HB0755 **Title:** Provide victim comp for property owners affected by meth labs; tax on ephedrine

Primary Sponsor: Windham, J **Status:** As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
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Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$25,013	\$15,799
State Special Revenue	\$538,000	\$538,000
Revenue:		
General Fund	\$0	\$0
State Special Revenue	\$538,000	\$538,000
Net Impact on General Fund Balance:	(\$25,013)	(\$15,799)

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|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue:

1. HB 755 provides compensation for owners of property that has been damaged by use as a clandestine drug lab. The compensation would come from a tax of 25 cents per package on products containing ephedrine or pseudoephedrine. The tax would be paid by drug wholesalers and be due quarterly within thirty days after the close of each quarter.
2. The effective date of this bill is July 1, 2005, so this bill would have a full year's impact in FY 2006 and FY 2007.
3. The 2000 Census estimated that there are 358,667 households in Montana.
4. It is assumed each household in Montana will purchase six packages of over-the-counter drugs containing ephedrine and pseudoephedrine annually.
5. The tax would generate \$538,000 ($358,667 \times 6 \times \$0.25 = \$538,000$) in revenue annually. The revenue would be deposited in a state special revenue account for the Office of Victims Services.
6. The Department of Revenue would need an additional 0.25 FTE to administer the tax. Total associated additional administrative expenditures are \$25,013 in FY 2006 and \$15,799 in FY 2007.

Fiscal Note Request HB0755, As Introduced

(continued)

Department of Justice:

7. To establish a program the following would have to occur:
DOJ will contract with another state agency or private vendor to write the guidelines for a rehab process. Guidelines would include, but not be limited to: approving training courses and testing materials for contractors and their employees; providing training and/or administering tests to certify the contractor; reviewing clean-up reports; reviewing and approving course curricula; serving as liaison for the Department of Justice and local health officers regarding contaminated sites; completing the administrative rule process; and interacting with state and federal counterparts.
8. To administer the program, the Department of Justice would require 1.00 FTE (grade 15) at a cost of \$40,761 for FY 2006 and \$40,761 for FY 2007. This position would be required as a project manager to:
accept the requests for compensation; work with contractors to assure compliance with the guidelines; analyze submitted costs and determine which are valid expenditures for the compensation program, and make determinations on validity of claims by working with local contractors.
9. Additional operating costs for the project manager position are estimated at \$12,876 for FY 2006 and \$9,900 for FY 2007. The operating costs for FY 2006 include \$2,976 for a new employee package, which includes a desk, chair, bookcase, file cabinet, and a computer. Costs for leasing a vehicle, travel, including meals and lodging, phones, communications, and supplies are estimated at \$9,900 for FY 2006 and \$9,900 for FY 2007.
10. Estimated contract costs for running the program are \$109,180 for FY 2006 and \$107,180 for FY 2007. These costs include \$2,000 in FY 2006 to establish administrative rules. Annual contract services costs are estimated at \$100,000 for professional services provided by the Department of Environmental Quality or a private contractor for program specific items which DOJ does not have the expertise to address. Legal work will be contracted through Agency Legal Services at an estimated costs of \$7,180. (100 hours X 71.80 = \$7,180).
11. The costs of administering the program will be paid from revenue from the tax on ephedrine and pseudoephedrine. This will leave \$375,183 for compensation in FY 2006 and \$380,159 in FY 2007.
12. Victim compensation and restoration costs cannot be determined at this time due to lack of historical data. It is assumed that compensation and restoration costs would be more than the available revenue and compensation would be capped at the amount of revenue available to the Office of Victims Services.

FISCAL IMPACT:

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
FTE	1.25	1.25

Department of Revenue

Expenditures:

Personal Services	\$8,266	\$8,235
Operating Expenses	10,947	7,564
Equipment	<u>5,800</u>	<u>0</u>
TOTAL	\$25,013	\$15,799

Funding of Expenditures:

General Fund (01)	\$25,013	\$15,799
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Fiscal Note Request HB0755, As Introduced

(continued)

Department of Justice

Personal Services	\$40,761	\$40,761
Operating Expenses	122,056	117,080
Transfers	<u>375,183</u>	<u>380,159</u>
TOTAL	\$538,000	\$538,000

Funding of Expenditures:

State Special Revenue (02)	\$538,000	\$538,000
TOTAL		

Revenues:

State Special Revenue (02)	\$538,000	\$538,000
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$25,013)	(\$15,799)
State Special Revenue (02)	\$0	\$0

LONG-RANGE IMPACTS:

This bill will increase future revenue to the state special revenue account for victims' services by the amount generated from increased consumption of products that contain ephedrine and pseudoephedrine.

TECHNICAL NOTES:

1. Since the bill is effective July 1, 2005 some of the Department of Revenue's start up costs will be incurred in FY 2005.
2. The tax imposed by this bill would be collected by wholesale drug distributors. The term "wholesale drug distributor" is not defined in the bill.
3. This bill would provide compensation for cleanup and restoration. The terms "cleanup" and "restoration" are not defined in the bill.
4. The bill does not specify how compensation payments are to be allocated if eligible cleanup and restoration costs exceed the funds available. Are claims to be paid on a first-come-first-served basis or are claims to be held until all annual revenue is received and then paid on a pro-rata basis?